SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2003

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _____TO_____

Commission File Number: 0-12254

SCIENTIFIC TECHNOLOGIES INCORPORATED

(Registrant)

Oregon	77-0170363
(State of incorporation)	(I.R.S. Employer Identification Number)
6550 Dumbarton Circle, Fremont, California	94544
(Address of principal executive offices)	(Zip Code)

(510) 608-3400
(Registrant's telephone number)

Check whether the Registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act during the past 12 months (or such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No___

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12-b2 of the Exchange Act). Yes___ No X

Common stock outstanding as of April 30, 2003 was 9,685,274 shares.

PART 1 - FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS

SCIENTIFIC TECHNOLOGIES INCORPORATED

CONDENSED CONSOLIDATED BALANCE SHEET
(Unaudited, in thousands, except for per share data)

Assets	Mar. 31, 2003	Dec. 31, 2002
Current assets:		
Cash and cash equivalents	$ 2,498	$ 2,620
Accounts and notes receivable, net	7,392	7,636
Inventories	9,724	8,719
Deferred income taxes	2,380	2,380
Receivable from Parent	415	384
Other current assets	455	527
Total current assets	22,864	22,266
Property and equipment, net	3,779	3,725
Goodwill and other intangible assets	11,279	11,593
Other assets	309	308
Total assets	$38,231	$37,892
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 2,989	$ 2,942
Accrued expenses	3,041	2,836
Current portion of capital lease with Parent	68	60
Total current liabilities	6,098	5,838
Capital lease with Parent	215	240
Deferred income taxes	2,064	2,064
Total liabilities	8,377	8,142
Shareholders' equity:		
Common stock; $.001 par value; 100,000 shares authorized; 9,685 and 9,687 shares issued and outstanding	10	10
Capital in excess of par value	5,695	5,681
Retained earnings	24,149	24,059
Total shareholders' equity	29,854	29,750
Total liabilities and shareholders' equity	$38,231	$37,892

The accompanying notes are an integral part of these financial statements.

SCIENTIFIC TECHNOLOGIES INCORPORATED

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(Unaudited, in thousands, except per share data)

	For the three months ended Mar. 31, 2003	Mar. 31, 2002
Sales	$12,959	$11,229
Cost of sales	7,413	6,375
Gross profit	5,546	4,854
Operating expenses:		
Selling, general and administrative	4,084	3,773
Research and development	1,173	1,248
Amortization of intangible assets	165	169
Total operating expenses	5,422	5,190
Income (loss) from operations	124	(336)
Interest and other income, net	21	2
Income (loss) before income taxes	145	(334)
Provision for (benefit from) income taxes	55	(127)
Net income (loss)	$ 90	$ (207)
Net income (loss) per share:		
Basic and diluted	$ 0.01	$ (0.02)
Shares used to compute net income per share:		
Basic	9,685	9,676
Diluted	9,720	9,676

The accompanying notes are an integral part of these financial statements.

SCIENTIFIC TECHNOLOGIES INCORPORATED

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited, in thousands)

	For the three months ended	
	Mar. 31, 2003	Mar. 31, 2002
Cash flows from operating activities		
Net income (loss)	$ 90	$ (207)
Adjustments to reconcile net income (loss) to cash provided by operating activities:		
Depreciation and amortization	658	651
Changes in assets and liabilities		
Accounts receivable	244	(719)
Inventories	(1,005)	18
Receivable from Parent	(31)	(411)
Other assets, current and non-current	71	(38)
Accounts payable	47	151
Accrued expenses	205	633
Cash flows provided by operating activities	279	78
Cash flows from investing activities		
Purchase of property and equipment	(398)	(253)
Investment in affiliate	--	(100)
Cash flows used in investing activities	(398)	(353)
Cash flows from financing activities		
Repayment of capital lease with Parent	(17)	--
Issuance of common stock	14	--
Cash flows used in financing activities	(3)	--
Change in cash and cash equivalents	(122)	(275)
Cash and cash equivalents at beginning of period	2,620	1,033
Cash and cash equivalents at end of period	$ 2,498	$ 758
Supplemental disclosure of cash flow information:		
Cash paid to (received from) Parent for income taxes	$ 55	$ (127)

The accompanying notes are an integral part of these financial statements.

SCIENTIFIC TECHNOLOGIES INCORPORATED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. INTERIM FINANCIAL STATEMENTS

The accompanying condensed consolidated financial statements for the three months ended March 31, 2003 and 2002 are unaudited and have been prepared in accordance with generally accepted accounting principles in the United States of America and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles in the United States of America for complete financial statements. In the opinion of management, the unaudited condensed consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments, considered necessary to present fairly the financial position, results of operations and cash flows of Scientific Technologies Inc. (the "Company") and its subsidiaries for all periods presented.

To prepare these condensed consolidated financial statements in conformity with generally accepted accounting principles, management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenue and expenses during the reporting period. Actual results could differ from those estimates.

The results of operations are not necessarily indicative of the results to be expected in the future or for the full fiscal year. It is recommended that these condensed consolidated financial statements be read in conjunction with the Company's audited consolidated financial statements and the notes thereto included in its 2002 Annual Report on Form 10-K.

STOCK-BASED COMPENSATION

Statement of Financial Accounting Standards ("SFAS") No. 148, issued in December 2002, amends SFAS No. 123 to require that disclosures of the pro forma effect of using the fair value method of accounting for stock-based employee compensation be presented on a quarterly basis and displayed more prominently and in a tabular format. The following table sets forth the effect on the Company's net income (loss) and net income (loss) per share as if the Company had recorded compensation costs based on the estimated grant date fair value as defined by SFAS No. 123 for all granted stock-based awards (in thousands, except per share amounts).

	Three Months Ended March 31,	
	2003	**2002**
Net income (loss), as reported	$ 90	$(207)
Add: Stock-based employee compensation expense included in reported net income (loss)	-	-
Deduct: Stock-based employee compensation expense determined under fair value based method for all awards, net of tax	26	20
Pro forma net income (loss)	$ 64	$(227)
Net income (loss) per share - basic and		

diluted:		
As reported	$ 0.01	$ (0.02)
Pro forma	$ 0.01	$ (0.02)

2. INVENTORIES

Inventories consist of the following (In thousands):

	Mar. 31, 2003	Dec. 31, 2002
Raw materials	$4,640	$4,501
Subassemblies	862	1,016
Work in process	1,772	1,043
Finished goods	2,450	2,159
	$9,724	$8,719

3. NET INCOME (LOSS) PER SHARE

A reconciliation of the numerators and denominators used to compute basic and diluted income (loss) per common share is provided below.

	(In thousands)		(Per share)
Three months ended March 31, 2003	Income (loss)	Shares	Amount
Basic earnings per share calculation	$ 90	9,685	$ 0.01
Effect of dilutive securities			
Stock options		35	
Diluted earnings per share calculation	$ 90	9,720	$ 0.01
Three months ended March 31, 2002			
Basic and diluted loss per share calculation	$ (207)	9,676	$(0.02)

4. COMPREHENSIVE INCOME (LOSS)

For the three months ended March 31, 2003 and 2002, there is no significant difference between net income (loss) and comprehensive income (loss).

5. SEGMENT REPORTING AND OTHER INFORMATION

Financial information for each product group is as follows: (in thousands)

	Three months ended March 31,	
Safety Products	2003	2002
Sales	$11,078	$ 9,433
Group operating profit	647	99
Automation Products		
Sales	$ 1,881	$ 1,796
Group operating loss	(523)	(435)

	At	
	Mar. 31	Dec. 31
Total Assets	2003	2002
Safety Products	$29,116	$28,646
Automation Products	9,115	9,246

Total	$38,231	$37,892

The Company operates principally in the United States. The Company's operations in Germany are less than 10% of total operations. Sales to foreign customers represented less than 10% of total sales in the three months ended March 31, 2003 and 2002.

6. COMMITMENT AND CONTINGENCIES

The Company offers warranties on certain products and records a liability for the estimated future costs associated with warranty claims, which is based upon historical experience and the Company's estimate of the level of future costs. A reconciliation of the changes in the Company's warranty liability follows (in thousands):

Warranty accrual at January 1, 2003	$241
Accruals for warranties issued	56
Expenses incurred	(56)
Warranty accrual at March 31, 2003	$241

As permitted under Oregon law the Company has agreements whereby the Company indemnifies its officers and directors for certain events or occurrences while the officer or director is, or was serving at the Company's request in such capacity. The indemnification term is for the period that the officer or director is serving in such capacity or is subject to any possible claim or action by reason of the fact that the Indemnitee was serving in that capacity. The maximum potential amount of future payments by the Company could be unlimited; however the Company has a director and officer insurance policy that limits the Company's exposure and enables the Company to recover a portion of any future amounts paid. As a result of the insurance policy coverage, the Company believes that the estimated fair value of these agreements is minimal.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This interim report on Form 10-Q contains trend analysis and other forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Act of 1934. Such statements include expectations, beliefs, intentions or strategies regarding future operating results, future expenditures, future cash requirements, future impact of the relocation of the PSI-Tronix division and future industry conditions that involve risks and uncertainties. The Company's actual results could differ materially from those projected in such forward-looking statements as a result of many factors, including, without limitation, those set forth under this section, the section entitled "Business Factors" below and elsewhere in this report on Form 10-Q.

Results of Operations

(Amounts in thousands, except percentages)

Scientific Technologies Incorporated designs, manufactures and distributes automation safeguarding and specialty sensor products for the industrial control market. The Company's products include safety light guards, profiling scanners, factory automation sensors, controls, components, microcomputers, fiber optics, power monitoring devices, safety mats, pressure, displacement and velocity transducers, digital pressure gauges and comparators and other electronic equipment supplied to industrial automation, commercial and defense customers.

Sales for the three months ended March 31, 2003 increased 15% to $12,959 from $11,229 in the comparable period in 2002. During the first quarter of 2003, we experienced an increase in shipments in both the Safety Products Group ("SPG") and Automation Products Group ("APG"). As a result of continuing sluggishness in the semiconductor markets our sales growth at APG was not as robust as SPG.

Gross margin as a percentage of sales for the first quarter of 2003 remained constant at 43% for the first quarters of 2003 and 2002.

Selling, general and administrative expenses for the three months ended March 31, 2003 increased 8% to $4,084 from $3,773 in the same period of 2002. This was a result of costs associated with the higher sales levels. We were able to keep our selling, general and administrative expense percentage increases in the first quarter of 2003 to almost 50% of the rate of sales increase. As a percent of sales for the three months ended March 31, 2003, selling, general and administrative expenses were 32% compared to 34% for the same period in 2002.

Research and development expenses for the first quarter of 2003 declined 6% to $1,173 from the $1,248 recorded in the first three months of 2002. This was primarily the result of lower consulting expenses in the first quarter of 2003 compared to the comparable 2002 period. As a percent of sales for the three months ended March 31, 2003, research and development expenses were 9% compared to 11% for the same period of 2002.

Our effective income tax rate for the three months ended March 31, 2003 was 38%. As a result of the loss sustained in the first quarter of 2001, we recorded an income tax benefit of 38%. Income taxes payable or receivable are calculated on a stand alone basis and are recorded as a payable to or receivable from our parent, who files a consolidated tax return which includes our accounts.

Intercompany transactions between our parent company and us include charges to our parent for management services provided by us, dividend payments to our parent and other cash transfers.

Liquidity and Capital Resources

At March 31, 2003, our working capital increased slightly to $16,752 compared to $16,428 reported at December 31, 2002.

Available bank borrowings were $6,100, all of which were unused at March 31, 2003. We believe that cash from operations, together with cash resources and available bank borrowings, will be sufficient to fund working capital requirements for the next twelve months.

Critical Accounting Policies

A discussion of our critical accounting policies is set forth in our 2002 Annual Report on Form 10-K, which was filed with the Securities and Exchange Commission on March 3l, 2003. There were no material changes in any of our critical accounting estimates or judgments during the first quarter of 2003.

Business Factors

Because of the variety of factors and uncertainties affecting our operating results, past financial performance and historic trends may not be a reliable indicator of future performance. These factors, as well as other factors affecting our operating performance, may result in significant volatility in our common stock price. Among the factors which could affect our future business, financial condition or operating results are the following:

Our operating results may fluctuate.

We have experienced fluctuations in annual and quarterly operating results and anticipate that these fluctuations will continue. These fluctuations are caused by a number of factors, including the level and timing of customer orders, fluctuations in purchases of complementary third party products with which our products are sold, the mix of products sold and the timing of operating expenditures.

Our operating results have been, and could continue to be negatively impacted by generally adverse economic conditions throughout the high technology sector. In particular, the relocation of our PSI-Tronix subsidiary may prove to be more costly than anticipated or may not result in the expected benefits, and its continuing decreases in sales due to the current market conditions in the semiconductor industry could negatively effect our operating results.

The seasonality inherent in our business could cause our operating results to fluctuate.

The industrial manufacturing equipment industry in which we compete has historically been subject to seasonality. This is also true with respect to European markets in which we compete where business activity declines due to vacations taken in the summer months. This seasonality, combined with other factors such as the variability in our operating results described above, renders quarter-to-quarter comparisons of our results of operations unreliable as indicators of our overall performance.

The market for our products is highly competitive.

The market for industrial sensors is highly competitive. Many competitors have substantially greater name recognition and technical, marketing and financial resources than we have. Competitive pressures could reduce market acceptance of our products and result in price reductions, decreased revenues and increases in expenses.

Our business could suffer if we do not respond to technological change and new product development demands of our customers.

The market for our products is characterized by changing technology, evolving industry standards, changes in customer needs and new product introductions. Our future success will depend on our ability to enhance current products, develop new products and respond to emerging industry standards, all on a timely and cost-effective basis. The introduction of new products also requires that we manage the transition from older products in order to minimize disruption of customer orders, avoid excessive levels of older product inventories and ensure that adequate supplies of new products can be delivered to meet customer demands.

Our sales are dependent on indirect distribution channels.

A majority of our sales are through third party distributors, system integrators and original equipment manufacturers. These resellers are not required to offer our products exclusively. We cannot be assured that a reseller will continue to offer our products. In addition many of our resellers are privately owned firms which may not be well capitalized. If our ability to sell products through these third parties is impaired, our results of operations would likely suffer.

Our international sales are subject to risks.

Our international sales may be disrupted by currency fluctuations or other events beyond our control, including political or regulatory changes. If our international sales were disrupted for any reason, our revenue levels would decline.

Our business could suffer if we are unable to protect and enforce our intellectual property rights.

We rely on a combination of patent, trademark and trade secret laws and contractual restrictions to establish and protect proprietary rights in our products and services. There can be no assurance that our patents, trademarks, or contractual arrangements or other steps taken by us to protect our intellectual property will prove sufficient to prevent misappropriation of our technology or defer independent third party development of similar technologies. Moreover, there can be no assurance that the technology licenses granted to us from our parent company will continue to be available. The loss of any of our proprietary technology could require us to obtain technology of lower quality or performance standards or at greater cost, which could materially adversely affect our business, results of operations and financial condition. Furthermore, the laws of certain foreign countries may not protect our products, services or intellectual property rights to the same extent as do the laws of the United States.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The market risk inherent in our investments represents the potential loss arising from adverse changes in interest rates. We are exposed to market risk in the area of interest rate changes impacting the fair value of our investment securities. Our policy is to invest primarily in money market accounts and short-term investments held at financial institutions. We do not have any derivative instruments in our investment portfolio. Due to their highly liquid nature, our investments are subject to minimal credit and market risk.

Item 4. CONTROLS AND PROCEDURES.

(a) Within the 90 days prior to the date of this report, the Company carried out an evaluation, under the supervision and with the participation of senior management, including the Company’s officers performing the functions of Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of its disclosure controls and procedures. Based upon that evaluation, the Company’s officers performing the functions of Chief Executive Officer and Chief Financial Officer concluded that its disclosure controls and procedures are effective for gathering, analyzing and disclosing the information that the Company is required to disclose in reports filed under the Securities Exchange Act of 1934.

(b) There have been no significant changes in the Company’s internal controls or in other factors that could significantly affect internal controls subsequent to the date the Company carried out this evaluation.

PART II - OTHER INFORMATION

Items 1- 5 are not applicable for this reporting period.

Item 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) The following documents are filed as a part of this Report:

Exhibit 3.1 - Articles of Incorporation, as amended, are incorporated by reference to the Registrant's Form 10-K for the year ended December 31, 1988, Exhibit 3.1.

Exhibit 3.3 - By-Laws are incorporated by reference to the Registrant's Form 10-K for the year ended December 31, 1985, Exhibit 3.

Exhibit 4.1 - 1997 Employee Stock Purchase Plan is incorporated by reference to the Registrant's Registration Statement on Form S-8 dated October 2, 1998.

Exhibit 4.2 - 1997 Stock Plan is incorporated by reference to the Registrant's Registration Statement on Form S-8 dated October 2, 1998.

Exhibit 24.1 - Power of Attorney is incorporated by reference to the Registrant's Form 10-K for the year ended December 31, 2002, Exhibit 24.1.

Exhibit 99.1 - Certification of Chief Executive and Chief Financial Officers

(b) No Reports on Form 8-K were filed during the first three months of 2003.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SCIENTIFIC TECHNOLOGIES INCORPORATED
Registrant

Date: May 12, 2003

/s/Joseph J. Lazzara
Joseph J. Lazzara
President and Chief Executive Officer
(Principal Executive Officer)

Date: May 12, 2003

/s/ Richard O. Faria
Richard O. Faria
Vice-President and Chief Financial Officer
(Principal Financial Officer)

I, Joseph J. Lazzara, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Scientific Technologies Incorporated;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 12, 2003

/s/ Joseph J. Lazzara
President and Chief Executive Officer

I, Richard O. Faria, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Scientific Technologies Incorporated;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 12, 2003

/s/ Richard O. Faria
Vice President and Chief Financial Officer